

CANADA

SUPERIOR COURT

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

Commercial Division
(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act, R.S.C.
1985, c. C-36)

No: 500-11-042345-120

IN THE MATTER OF THE PROPOSED PLAN OF
COMPROMISE AND ARRANGEMENT OF:

AVEOS FLEET PERFORMANCE INC./
AVEOS PERFORMANCE AÉRONAUTIQUE INC.
and
AERO TECHNICAL US, INC.

Insolvent Debtors/Petitioners
and

FTI CONSULTING CANADA INC.

Monitor

THIRD MOTION OF THE PETITIONERS FOR AN ORDER TO EXTEND THE STAY PERIOD
(Sections 9 and 11 of the *Companies' Creditors Arrangement Act* R.S.C. 1985 c. C-36)

**TO THE HONOURABLE JUSTICE MARK SCHRAGER OF THE SUPERIOR COURT, SITTING IN
COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL, THE
PETITIONERS RESPECTFULLY SUBMIT THE FOLLOWING:**

1. On March 19, 2012, this Honourable Court issued an Initial Order (as amended on March 30, 2012, April 5, 2012 and May 4, 2012, the "**Initial Order**"), pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") in respect of Aveos Fleet Performance Inc./Aveos Performance Aéronautique Inc. and Aero Technical US, Inc. (collectively referred to as the "**Petitioners**");
2. Pursuant to the Initial Order, FTI Consulting Canada Inc. was appointed as Monitor of the Petitioners (the "**Monitor**") and a stay of proceedings was ordered until April 5, 2012;

3. Pursuant to an Order rendered on April 5, 2012 on Petitioners' First Motion for an Order to Extend the Stay Period (the "**First Motion**"), the stay of proceedings was extended until May 4, 2012. Pursuant to an Order rendered on May 4, 2012 on Petitioners' Second Motion for an Order to Extend the Stay Period (the "**Second Motion**"), the stay of proceedings was extended until July 20, 2012 (the "**Stay Period**");
4. For the reasons set forth herein, the Petitioners respectfully seek a further extension of the Stay Period until October 31, 2012, as set forth in the conclusions of this Third Motion for an Order to Extend the Stay Period (the "**Third Motion**");
5. Petitioners refer this Honourable Court to the Fourth Report of the Chief Restructuring Officer to the Court as well as the Monitor's Tenth Report to the Court (the "**Monitor's Tenth Report**") to be filed on or prior to the hearing of this Third Motion, which shall contain the Monitor's recommendations in respect of the extension requested herein, as well as a review of the cash flow forecast of the Petitioners through and including October 31, 2012;
6. Since the issuance of the Initial Order, the Petitioners have acted and continue to act in good faith and with due diligence. The Petitioners, under the direction of the Chief Restructuring Officer ("**CRO**") have made substantial progress toward the completion of the objectives and milestones that have been set forth in the Second Motion, namely those pertaining to the divestiture process approved by this Court (the "**Divestiture Process**");
7. Specifically and without limitation, the efforts deployed and elements accomplished by the Petitioners and the CRO since the granting of the Second Motion include the following:
 - a) Overseeing and directing the management and operations of the Petitioners;
 - b) Implementing and making significant progress in the context of the Divestiture Process, the whole as more fully set forth at paragraphs 8 *et seq.* below;
 - c) Maintaining ongoing discussions and /or meetings with union representatives, government representatives, prospective purchasers, customers and creditors of the Petitioners;
 - d) Continuing to implement the established protocol with respect to the return of property to customers and the collection of amounts payable to Petitioners. Numerous retrieval/release agreements have been executed between the Petitioners and various counterparties. Due to the complexity of, and the specific circumstances surrounding certain retrieval processes, there still remains several release and/or retrieval agreements to be concluded with various customers, some of which involve substantial sums of money that would be payable to the Petitioners in the context of such retrieval agreements. Further,

given the complexity surrounding the accounting of certain receivables, the reconciliation process with certain customers has not been completed. Substantial amounts are left payable to the Petitioners for services rendered, and the Petitioners, under the direction of the CRO, are continuing the recovery process in respect thereof;

- e) Continuing to work on identification and retrieval of property belonging to other third parties in the possession of Petitioners and of property belonging to Petitioners currently in the possession of third parties as well as identifying and settling potential claims by vendors of remaining unpaid goods supplied in the thirty days preceding the Initial Order;
 - f) Investing significant time and resources in preparing for, contesting, and attending the hearing on *Air Canada's Emergency Motion for an Order Lifting the Stay of Proceedings to Repossess Certain Assets* (the "**Air Canada Motion**");
 - g) In light of the Air Canada Motion and in view of facilitating the Divestiture Process, negotiating and eventually concluding, on or around May 29, 2012, an agreement with Air Canada, the whole as more particularly set out in the Third Report of the Chief Restructuring Officer and in the Eighth Report of the Monitor to the Court;
 - h) Dealing with NorthgateArinso Canada Inc.'s *De Bene Esse* Motion to Strike the *De Bene Esse* Notice by the Petitioners to Disclaim or Resiliate an Agreement (as amended). A Schedule as to the Conduct of Proceedings has been negotiated by the parties in respect thereto and the hearing on the merits of said Motion has been scheduled for September 24 and 28, 2012 before the Honourable Mark Schragger, j.s.c.;
 - i) Negotiating with the Canada Revenue Agency and the Agence du Revenu du Quebec with respect to the issue of pre-filing payroll source deductions deemed trusts and terms for repayment of such amounts; and
 - j) Negotiating with the landlord of the Petitioners' head office and CMC facility to facilitate the divestiture of the CMC division as a going concern.
8. With respect to the Divestiture Process specifically, the Petitioners and CRO have invested much time and resources in negotiating and ultimately concluding five separate Asset Purchase Agreements, as well as a Liquidation Services Agreement in respect of the Petitioners' Airframe Maintenance Division (Heavy Maintenance) which were approved by this Honourable Court following a *Motion for an Order Authorizing the Sale of Certain Assets of the Petitioners and for Vesting Orders* (the "**HM Sale Motion**") and pursuant to an order issued by this Court on June 28, 2012, the whole as appears from the Court record herein;

9. Since the Court approval of the aforementioned Asset Purchase Agreements and of the Liquidation Services Agreement, the Petitioners and the CRO have worked to coordinate the closing of the transactions contemplated by the said agreements as well as to implement the liquidation process contemplated in the Liquidation Services Agreement;
10. Concurrently with the implementation of the Divestiture Process as it concerned the Airframe Maintenance Division (Heavy Maintenance), the Petitioners and the CRO made significant efforts and invested time and resources towards advancing the Divestiture Process as it pertains to the Petitioners' Engine Maintenance Division ("EMC") and the Components Maintenance Division ("CMC");
11. For the reasons set out in the HM Sale Motion, despite the significant progress made by the Petitioners in the implementation of the Divestiture Process, it is submitted that additional time is required in order to bring said Divestiture Process to proper completion as it relates to the EMC and CMC divisions;
12. With respect to the Divestiture Process as it pertains to the EMC and CMC divisions, the Petitioners and the CRO expect to return before this Court to report and to seek appropriate approval and vesting orders on or before July 26, 2012. Indeed, a hearing has been scheduled to take place before the Honourable Mark Schragger, j.s.c., on July 26, 2012;
13. With respect to the Divestiture Process as it pertains to the CMC, the CRO has recently been advised by Air Canada that it needs more time to deal with contract issues with the potential CMC suppliers. In order to accommodate their request for additional time, the CRO has agreed, without having modified the Bid Deadline date of July 13, 2012 and subject to certain conditions, that the potential purchasers will have until July 16, 2012 to complete documentation of their potential agreements with Air Canada;
14. As noted above, the CRO will file, on or before the hearing of this Third Motion, a Fourth Report to the Court providing more information with respect to the actions taken since the Second Motion including, among other things, the progress of the Divestiture Process;
15. It is respectfully submitted that this third requested extension of the Stay Period until October 31, 2012 is necessary as it is anticipated that it will afford the Petitioners an adequate period of time to make further progress towards fulfilment of the remaining material aspects of the Divestiture Process, finalize the pending transactions that have been undertaken and complete other initiatives as referenced above for the benefit of the various stakeholders;
16. It is submitted that no creditor will suffer any undue prejudice by the extension of the Stay Period and that the extension sought is appropriate in the present circumstances;

17. Based on the foregoing, the Petitioners pray this Honourable Court to further extend the Stay Period up to and including October 31, 2012, the whole subject to all the other terms of the Initial Order;
18. The Petitioners respectfully submit that the notices given of the presentation of the present Third Motion are proper and sufficient;
19. The present Third Motion is well founded both in fact and in law;

WHEREFORE, MAY IT PLEASE THIS HONOURABLE COURT TO:

GRANT the Petitioners' *Third Motion for an Order to Extend the Stay Period*;

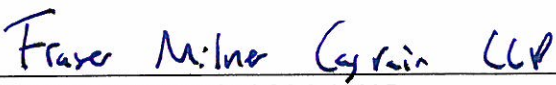
EXTEND the Stay Period (as defined in the Initial Order granted by this Honourable Court in this matter, on March 19, 2012, as amended), until October 31, 2012, the whole subject to all the other terms of the Initial Order, as amended;

DECLARE that the notices given of the presentation of the present Motion are proper and sufficient;

ORDER the provisional execution of the Order to be rendered notwithstanding any appeal and without the necessity of furnishing any security;

THE WHOLE without costs, save and except in case of contestation.

Montréal, July 12, 2012



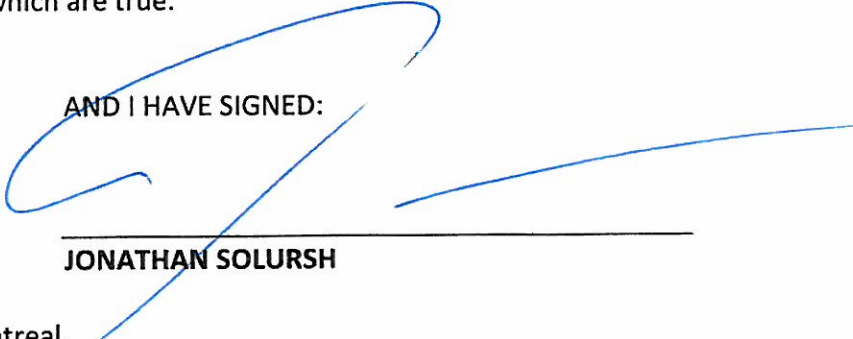
FRASER MILNER CASGRAIN LLP
Attorneys for the Petitioners

AFFIDAVIT

I, the undersigned, **JONATHAN SOLURSH**, Chief Restructuring Officer of the Petitioners in the present matter, domiciled, for the purposes hereof, at BAN3, 2311 Alfred Nobel Boulevard, in the City and district of Montreal, Province of Quebec, do solemnly declare:

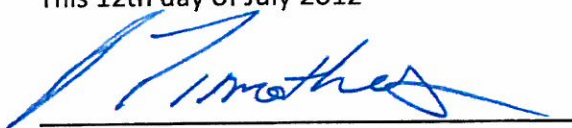
1. I am the Chief Restructuring Officer of the Petitioners in the present matter;
2. I have personal knowledge of all of the facts alleged in the present *Third Motion for an Order to Extend the Stay Period*, which are true.

AND I HAVE SIGNED:

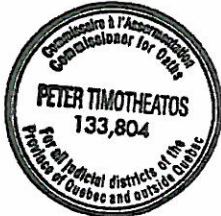


JONATHAN SOLURSH

SOLEMNLY DECLARED before me at Montreal,
This 12th day of July 2012



**COMMISSIONER OF OATHS FOR THE
PROVINCE OF QUÉBEC**



NOTICE OF PRESENTATION

TO: SERVICE LIST

TAKE NOTICE that the *Third Motion for an Order Extending the Stay Period* will be presented before the Honourable Mark Schrager, of the Superior Court, sitting in the Commercial Division, at the Montréal Courthouse, situated at 1, Notre-Dame Street East, **in room 2.07, on July 19, 2012 at 9:15 a.m.** or so soon thereafter as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

Montréal, July 12, 2012

Fraser Milner Casgrain LLP

FRASER MILNER CASGRAIN LLP

Attorneys for Petitioners

No. 500-11-042345-120

SUPERIOR COURT (Commercial Division)
DISTRICT OF MONTRÉAL

IN THE MATTER OF THE PROPOSED PLAN OF COMPROMISE
ARRANGEMENT OF :

AVEOS FLEET PERFORMANCE INC. / AVEOS
PERFORMANCE AÉRONAUTIQUE INC.

and

AERO TECHNICAL US, INC.

Petitioners

And

FTI CONSULTING CANADA INC.

Monitor

Me Roger P. Simard

File: 548732-1

**THIRD MOTION OF THE PETITIONERS FOR AN ORDER
TO EXTEND THE STAY PERIOD**

(Sections 9 and 11 of the *Companies' Creditors
Arrangement Act* R.S.C. 1985 c. C-36)

AFFIDAVIT AND NOTICE OF PRESENTATION

ORIGINAL



Fraser Milner Casgrain LLP
1 Place Ville Marie, Suite 3900
Montréal, QC, Canada H3B 4M7

MAIN 514 878 8800
FAX 514 866 2241

BB0822